ROSEBUD MINING COMPANY, 95 N 200 W, ELSINORE, UTAH, 84724

United States Department of Agriculture
Forest Service
Fishlake National Forest
Beaver Ranger District
P.O. Box E
Beaver, Utah, 84713
attn: Rob Hamilton, Darwin R. Jensen

Dear Messrs. Hamilton and Jensen,

We received your letter of July 20, 1989 which asked for more information regarding certain aspects of our proposed mining venture in Sevier and Mill Creek Canyons in your district. In this letter, I will try to answer your specific questions, as well as give you a better idea of who we are and how we anticipate working together.

The settling pond used on the Rosebud Placer Project is intended to minimize the need for great quantities of ore reduction water and to ensure that the water which does go downstream will be free of excess silt and other contamination. The pond at use at any one time will be approximately 50 feet in diameter and will hold water for recycling into the gravity and inertial separating mill. Recycling will be by pump. It is not anticipated that water will be released until processing has ceased in that location. Water inlet needs will be only for evaporative make-up. The possibility of flash flooding can be minimized by placing the milling operations upslope from the streambed or in a side area which would be less susceptible to such danger. Diversion dams and ditches can also be constructed if requested, or if construction in a non-stream area is impossible.

Mill vat leaching is warranted for reduction of gangue-bound ore, but the extent of such ore occurrance is not yet known. Testing needs to be done at each site to determine the best metallurgical extraction techniques. Vat leaching was therefore only mentioned as a possibility. It is not anticipated that leaching will be done for at least one year. In the event of leaching, I would foresee cyanide leach used in approximately 250 cubic foot vats. The area would be fenced and full time staff would be on hand for operation and monitoring. The vats would be housed in a metal building and cyanogens would be on hand to neutralize any possible leakage. When the leaching vats are not in use, chemicals will be removed from the site and stored in Elsinore, Utah. Flash flooding risk should be reduced by placing leaching areas out of high water areas and/or construction of diversion barriers.

As little of the riparian zone as is possible will be disturbed. By nature, placer deposits occur in the stream channels, therefore excavation of portions of the channel will be unavoidable. The deposits of Mill Creek and those of much of Sevier Creek are pockety and only economic grade ore will be removed. Thus, the mining should be in the form of a series of excavations which would remove only those areas which would yield a profit. Current exploration techniques in the area involve geomagnetic surveys over the claim block followed by backhoe testing in anomalous areas. This testing will distinguish those areas of high heavy mineral concentration from areas of intrusion, as well as a likely economic grade of proven ores. One large anomalous area in Sevier Canyon is hundreds of yards long, but most are in the tens of yards to a hundred yards in length. Depths should be in the viscinity of five to twenty yards deep and widths in the range of from fifteen to forty yards wide for most of the pockets. Worked areas will be operated most efficiently if all of a local pocket system can be mined without moving the milling facilities, as reclamation followed by reconstruction in the same location can be expensive. Therefore, it would be preferable to operate adjacent areas sequentially. But if visuals are important in an area, and it is determined that non-sequential operation is best for the Forest, we would be willing to accomodate you. Mineralization does not occur on all of the outlined claim block, so not all of it should be disturbed. It is anticipated that only a small part of the total area will be disturbed and that there will be many natural buffer areas of non-mineralization.

In places where the mineralization extends under the stream bed, all of the riparian vegetation will be removed, but those plants which are difficult to restore, such as uprooted willows, will be saved at an adjacent site, or saplings will be purchased to recreate a brush buffer (of course it would be preferable to us to save the natural riparian brush, if feasible). Brush which is removed in operations will be burned, if you would prefer that method of disposal.

Very little sewage is anticipated in the first year of operation as few full time operators will be present, and most sewage needs can be met "in town". There will be a portable chemical toilet available which will be emptied in Elsinore, Utah.

All ore haulage will be done by low tonnage trucking and in steep areas it is anticipated that two ton trucks will be used. Of course, it is also probable that few steep areas will be encountered for mining because of a lack of probable mineralization in steep areas. As all of our water needs will be met by the settling ponds and as those will be pumped for recycling, mineralized areas above the stream bed should provide little challenge.

Specific details discussed in the field review with Mr. Hamilton which were not addressed in the overall plan of operation had to do with the initial development of the SP claim area, which is already significantly disturbed (by previous developers). We want to start in this area because of the existence of proven ore, the existing disturbance, and the need for immediate testing of our reduction equipment for this type of mineralization before winter. Mr. Hamilton indicated that removal of brush and one tree would be all right with the Forest Service for this initial testing work. We also discussed initial setup of milling operations on the Morrison Millsite and the removal of, as I recall, three trees which would be in the way of a haulage way and the initial settling pond. A fence around RMC equipment situated on the millsite was also discussed as necessary.

I am not aware of any other matters which were discussed at the field review and I believe this should give you a good idea of what we intend in the Mill and Sevier Creek areas. We want to co-operate with the Forest Service as much as possible and feel that there should be no real problems with that inasmuch as we are a small company and are willing and able to bend with reasonable requests. I anticipate much of our communication will be done in the field where the two of us can meet face to face and work out mutually agreeable solutions to the problems resulting from the simultaneous needs of resource development and environmental preservation.

Please let us know of any other information needs you may have. We feel a that equipment testing and ore determinations are very important to have completed before winter, so we would like you to first review and approve the following:

1. Development of the SP claim area for mineral extraction testing.
2. Setup of equipment and fence on the Morrison Millsite for metallurgical testing.
3. Backhoe testing of geomagnetically anomalous areas for ore prediction and development planning.

Thank you very much for your consideration and attention to this project.

Sincerely,

Robert J. Mackenzie, geologist,
Rosebud Mining Company